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December 29, 2005

Honorable Rya W. Zobel
U.S. District Court Judge
John Joseph Moakley U.S. Courthouse
1 Courthouse Way
Boston, MA 02210

Re: Status Report for Sprague Energy Corp. v. Canada Steamship Lines, Inc., In Personam,
and M/V ATLANTIC SUPERIOR, In Rem; C.A. No. 05-11825-RWZ

Dear Judge Zobel:

This is to report on the status of settlement discussions between the parties, as directed by your order at the Status Conference held on November 8, 2005.

Counsel are engaged in on-going settlement discussions. There has been a settlement offer from defendants and a counterproposal for settlement by plaintiff. At this point defendants' response to the counterproposal has been delayed due to the unavailability of necessary personnel during the holiday period. It is anticipated that defendants' substantive response to the counterproposal will be made in early January 2006. Counsel have deferred formal discovery for the time being as these settlement discussions continue. We will provide you with a further status report by January 31, 2006. This report has been reviewed and approved by counsel for the defendants.

Very truly yours,
/s/ Lawrence J. Mullen
Lawrence J. Mullen
Counsel for plaintiff

cc: Terence G. Kenneally, Esq., counsel for defendants